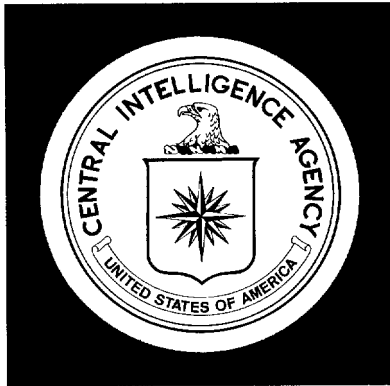


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CHILE: Armed resistance to the military junta stiffened in Santiago yesterday, but the new government continued to strengthen its measures of control.

Leftist snipers holed up in government buildings and armed groups occupying factories are effectively using such heavy weapons as rocket launchers, mortars, and machine guns against military attackers. Casualties on both sides are probably much heavier than the junta will reveal. The deadline for surrendering arms has been shortened and summary execution decreed for violators.

The junta has named a military cabinet on the advice of civilian advisers, and apparently intends to retain power until the armed services chiefs believe that they have the Chilean house in order. The military has assumed responsibility for the judicial process and all public administration. It is also moving swiftly to organize transportation and the supply of now critically scarce food and other commodities.

International reaction to the coup has been vehement and widespread. Several governments expressed regret over the ouster of an elected government, among them Mexico, West Germany, Sweden, and Denmark. Leftist groups staged protest demonstrations in many capitals. Like Peron in Argentina, most accused the US of complicity in Allende's downfall. The junta's hostility toward several Communist governments represented in Santiago is heightened by the fact that many Allende supporters have apparently taken refuge in their embassies. A serious shootout at the Cuban Embassy may be only the first of such incidents if the junta refuses to allow the refugees to leave.

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CAMBODIA: The pressure against Kompong Cham has eased.

The level of fighting has declined sharply in the past few days as insurgent actions have been confined to sporadic shellings of government positions. The Communists have also offered little resistance to government operations just south and southwest of the city. These operations have given the government some maneuvering room, and the defensive force at Kompong Cham continues to be augmented by the arrival of reinforcements from Phnom Penh--over 2,000 since last week. Government strength there is now close to 7,000. Mekong River convoys have brought in badly needed munitions, but the last convoy ran into heavy insurgent shore fire as it approached Kompong Cham, and future resupply efforts could be difficult.

Although the Communists have clearly given some ground in the past few days and are probably regrouping, there is as yet no evidence that they have abandoned the attempt to seize the city. The Communists attach considerable importance to this campaign; they have drawn forces from other areas for the battle and their propaganda has given much attention to the "liberation" of the city. In view of their investments, they will find it difficult to abandon the effort against Kompong Cham, even if it looks as if no early victory is in prospect.

WESTERN EUROPE: The EC foreign ministers' decision to pursue preparations for an EC-US declaration to be issued during a possible visit to Europe by President Nixon was largely made possible by a more positive French attitude. Paris' main interest may lie in promoting a parallel effort toward defining a "European identity."

At their meeting in Copenhagen this week, the ministers also agreed on subjects of mutual interest for discussion with the US. In addition to topics of current economic and scientific-technological interest, the ministers considered political cooperation with the US "on a basis of equality" and relations between East and West. Discussion of defense issues would be relegated to the NATO forum, and the ministers still contemplate a "two-track" approach, apparently rejecting a third declaration to "cap" separate EC and NATO declarations.

Although the French continue to be wary of establishing permanent, formal consultations between the community and the US, they probably were unwilling to risk isolation by opposing the desires of their partners to produce a forthcoming response to the US initiative. In a discussion with the US Mission in Brussels this week, the British Ambassador to the EC and two EC commissioners, including the Frenchman Cheysson, remarked on Paris' more cooperative attitude, attributing it in large part to concern over the future evolution of West Germany. The French are expected to continue to be tough where their direct economic interests are involved in community affairs, but their desire to contain the Germans within a West European framework could result in new French initiatives on European political cooperation. President Pompidou reportedly is planning to make new proposals on this subject. The Nine will, in any event, now accelerate their political consultations toward developing a distinct "identity"--common positions on a wide variety of foreign policy questions--within the Atlantic relationship.

(continued)

In NATO, meanwhile, Secretary-General Luns this week used the EC agreement to try to spur the efforts of the North Atlantic Council to produce a draft NATO declaration on Atlantic principles. The French are clearly in no hurry in this forum, however. During a discussion of deadlines for national contributions to the NATO effort, the French Ambassador said that as far as he was concerned, "the later the better."

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EC-CEMA: Senior British and EC officials have responded coolly to the recent Soviet overture to establish relations between the EC and CEMA. The British Ambassador to the EC has indicated that both his government and the French are dubious about the Soviet proposal because they believe its bloc-to-bloc approach would serve to increase Soviet control over the policies of East European countries. The British Ambassador predicted that the Nine are likely to move slowly, neither rebuffing the CEMA initiative nor encouraging it. The initiative will be discussed at the Council meeting next week.

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CHINA: The harvest of early rice--the first of three annual rice crops--appears to have fallen short of Peking's expectations. Reports from the major producing provinces do not substantiate Peking's claim that "China gathered a good harvest of early rice--both total and unit yields hit an all-time high." The acreage planted to early rice declined this year, and yields were depressed because of low temperatures, flooding, and insect infestation throughout much of south China. Any substantial increase in rice output this year will have to come from the intermediate and late rice crops, which together account for about 60 percent of China's annual rice output.

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LIBYA-ITALY: Rome has agreed to deliver to Tripoli by the end of this year 140 armored personnel carriers (APCs), in addition to 152 already provided. The sale of the APCs, manufactured in Italy under US license, was given US approval last spring, but the deal reportedly fell through as a result of disagreement between Rome and Tripoli during oil negotiations. These differences have now been settled

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As a result of the current sale, Italy has joined the USSR and Czechoslovakia as a major supplier of ground forces equipment to Libya.

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BELGIUM: The Leburton government has announced approval of a military reorganization program that could ultimately affect Belgium's commitments to NATO.

The new plan, based almost entirely on proposals by the Socialists, will divide the armed forces into two components--a small, well-trained force of short-term volunteers performing most of the operational tasks related to Belgium's NATO assignments in West Germany, and a force of conscripts entrusted with territorial defense and civic action programs. The changes would take place over a five-year period, during which the volunteer force would be built up to about 30,000 men, and the term of service for conscripts progressively reduced from 12 to six months. There are no provisions for the elimination of educational deferments, a proposal that triggered widespread student demonstrations earlier this year and forced the government to postpone its program temporarily. Prime Minister Leburton, in a speech to the North Atlantic Treaty Association on 10 September, stated that the government intends to consult its allies before submitting the program to parliament.

The willingness of the coalition partners--Socialists, Liberals, and Social Christians--to agree to the program after long-standing disagreements reflects their responsiveness to growing domestic pressures. It also reflects the shifting perspectives of government leaders, including the more conservative officials in the Foreign Ministry, on national defense in an era of detente. Nearly half of Belgium's NATO-assigned forces stationed in West Germany are already scheduled for redeployment. No reductions in total forces are proposed.

The reorganization, coupled with the redeployment scheme, could mean a unilateral reduction of forces stationed in West Germany in advance of an MBFR agreement. There has been no reaction thus far from West German officials who had earlier expressed concern about Brussels' evident desire to "streamline" its armed forces. [REDACTED]

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HAITI: Recent reports of ships off shore have generated mounting confusion and tension in the Duvalier government.

Official spokesmen claim that a "guerrilla" landing was thwarted on the night of 10-11 September

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Military and security forces have closed roads and an airport in the area, apparently believing that intruders are still at large.

The government's overreaction reflects growing concern over a deteriorating economy and loss of public confidence in the regime. President Duvalier's anxiety has been aggravated by fires of mysterious origin in the presidential palace, and by tensions in the aftermath of a major government shake-up.

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The current wave of jitters is not unusual for Haiti, but it could have repercussions if it persists. If it causes the government to take drastic emergency measures, political opponents in Haiti and abroad might be provoked to move against the Duvalier clan.

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BOLIVIA: After raising public expectations of major changes by calling for the resignation of his cabinet on 7 September, President Banzer proceeded to reappoint nearly all the former members and maintained the same political balance as before. This lack of meaningful change suggests that Banzer either belatedly considered it unwise to upset his coalition until after visiting the United States in mid-October, or found that he lacked political support for a significant alteration in the balance.

The right-wing Bolivian Socialist Falange (FSB), headed by Foreign Minister Mario Gutierrez, has irritated Banzer by openly attacking its partner in the coalition, the Nationalist Revolutionary Movement (MNR). Banzer seems to favor the Falange but, with minimal public support, he needs the Movement to avoid isolating himself too far on the right. Banzer rejected the advice of military officers in the garrisons to abandon what they see as corrupt politicians and to rule with an all-military cabinet.

Banzer's decision to avoid a major cabinet shake-up may also have been prompted by a threat from Movement leaders to join the opposition in the elections next spring if they did not get from Banzer at least their fair share of patronage. He may also have felt that a military cabinet would produce charges that he is a military dictator.

As a result, the new cabinet will do nothing to ease the problems caused by the former one, or facilitate solutions to long-standing problems.

[REDACTED]

SOUTH AFRICA: A clash Tuesday night between rioting blacks and police resulted in ten deaths and 12 injuries--the bloodiest incident in South Africa since the "Sharpeville massacre" of 1960. It is certain to bring another round of strong foreign criticism of South African racial policies, especially from African countries.

According to a senior security official, the management of the Anglo-American Corporation's gold mine at Carletonville called for police when some 80 striking workers who had been refused a pay raise began to raid company buildings. Police are said to have opened fire in self-defense, after they had tried to disperse rioters with tear gas and sustained several injuries from axe blows.

The bulk of some 8,000 blacks employed at the Carletonville mine reported peacefully for work Wednesday morning, however, and further violence at the mine does not appear likely. The violent clash contrasts sharply with restrained police handling of numerous wildcat strikes among black workers over the last several months, but there is no immediate indication that the Vorster government has decided to apply deliberately harsher measures against black workers.

FOR THE RECORD*

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Jordan-Egypt-Syria: Cairo radio followed its noncommittal communiqué on the conclusion yesterday of the summit conference of the "confrontation states" with an announcement that President Sadat had announced restoration of Egypt's diplomatic relations with Jordan. This step was taken "to consolidate all the aims sought" in the two-day conference, the radio said. King Husayn and President Asad have returned to their capitals, according to radio reports.

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**These items were prepared by CIA without consultation with the Departments of State and Defense.*

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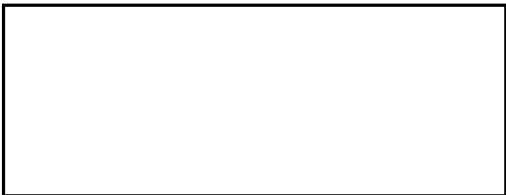
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